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SUBJECT: CODEL DELAHUNT VISIT TO ST. PETERSBURG

11. (SBU) Summary: On December 9-10, Representatives William Delahunt and Dana Rohrabacher met with several diverse groups of Russian interlocutors in St. Petersburg. Our interlocutors were pleased to be able to meet with such high-level representatives of the U.S. government.

NGO's: Tough Sledding, But Optimistic

12. (SBU) A distinguished leader of a major St. Petersburg NGO met with Representatives Delahunt and Rohrabacher. The NGO leader said that despite his many mistakes, former Russian President Yeltsin brought about sufficient change in Russia to render a return a return to Soviet era repression impossible. He welcomed the coming of age of the first generation of Russians who have never lived under a repressive regime, and asserted that these young people would not likely acquiesce to limitations on their personal freedoms, such as being told what to read, what to watch, and what to do - all hallmarks of previous generations. Despite what our interlocutor characterized as "difficulties" he and others in the NGO community presently face, he was optimistic about the future.

13. (SBU) Turning to the issue of the independence of the court system, our NGO interlocutor stated that the courts were reluctant to completely surrender the independence they had eked out in the early nineties. There remains, he stated, an "obvious" amount of pressure from the authorities on the courts to rule in a given way, but there is still a modicum of true independence that will be very difficult to extinguish. Our interlocutor said that, while St. Petersburg Governor Matviyenko and President Medvedev were strong supporters of Prime Minister Putin, they also are politicians and could be expected to look out for their own best interests. If those interests differ from Putin's, he continued, then so be it. Congressmen Delahunt and Rohrabacher asked what the U.S. could do to encourage political pluralism in Russia. Our NGO contact suggested that President-elect Obama show support for President Medvedev's independence by coming to Russia and meeting solely with Medvedev and, pointedly, not with Prime Minister Putin.

Russian Mentality - Deeply Ingrained in the National Psyche

14. (SBU) Representative Delahunt subsequently met on December 9 with a Professor of Social Studies at St. Petersburg State University. Delahunt asked the professor about Russian attitudes toward the conflict between Georgia and Russia over South Ossetia. In response to the question, the professor provided a lengthy description of his theory of the Russian mentality, which focuses on the conflict between the individual and the collective, and between Russian Orthodoxy as a cultural phenomena and the criminal-clan mentality.

15. (SBU) The professor added that anti-American feelings had increased as a result of the U.S. response to the conflict between Georgia and Russia. U.S. policies in Iraq and Kosovo have also fueled this view among the Russian public. The professor stated that 25% of Russians now view the U.S. as a hostile country, and only 10% see the U.S. as a friendly country.

Amcham: Russian Economy Will Get Worse Before It Gets Better

¶16. (SBU) Representatives Delahunt and Rohrabacher met with the Executive Director and three board members of the St. Petersburg American Chamber of Commerce (Amcham). The Amcham representatives commented on the impact of the global economic problems on St. Petersburg and described the business climate in general. They noted that St. Petersburg and Northwest Russia were beginning to feel the impact of the global economic crisis.

Russian business has begun laying off workers and some American firms are downsizing. Credit is harder to receive than previously. Though the country has over 1000 banks in total, the fifty largest are responsible for over 80% of all banking business. The Amcham representatives expect numerous smaller banks to go under and/or be absorbed by the larger ones, though that consolidation process would not greatly affect the economy.

¶17. (SBU) Devaluation of the ruble, which the Amcham representatives said was inevitable, is expected to have a much greater impact on Russia. With the Russian government currently spending its hard currency reserves at the rate of US\$40 billion a month, the members believe the ruble will be devalued to around 40 per dollar, with the majority of the devaluation expected to occur after mid-January, 2009. They questioned whether the Russian Government would devalue the ruble gradually, as arguably it has done in small increments over the past few weeks, or at one fell swoop. The members nonetheless remain optimistic with the resiliency of the Russian economy and expect the economy to fully recover from the current downturn by the end of 2009 or early 2010.

¶18. (SBU) Regarding corruption, the Amcham representatives emphasized that corrupt Russian officials do not attempt to extort money from American businesses because they know that the American businesses will not pay bribes. The picture for Russian businesses is very different. The excessive regulatory burdens faced by Russian businesses leaves them vulnerable to extortion and demands for bribes. Many Russian businesses, faced by arbitrary bureaucratic obstacles, reach the conclusion that it is easier and more cost-effective to pay bribes than to try to resolve the myriad obstacles mid- and low-level bureaucrats can place in their way.

Importance of U.S.- Russian Exchange Programs

¶19. (SBU) At dinner December 10, Representatives Delahunt and Rohrabacher met with a range of Russian guests, who included the Editor-in-Chief of a local, 900,000 circulation weekly newspaper, the Director of a leading art institute, and the Dean of a prestigious university's School of Foreign Languages.

¶10. (SBU) The Russian guests lauded U.S. exchange programs and their impact on improving U.S.-Russian understanding and their role in the professional development of the Russian participants. They said that enlargement of the various exchange programs, both Russians going to the United States and Americans coming to Russia, was very much in the interest of both countries as a means of preventing future misunderstandings. Any such programs, though, would need substantial preparatory work to be fully successfully, including ensuring adequate preparation for the exchange participants on managing their expectations prior to travel and advising them on the best ways to utilize their experiences upon their return to their home country.

GWALTNEY